

STATE BOARD OF ACCOUNTS
302 West Washington Street
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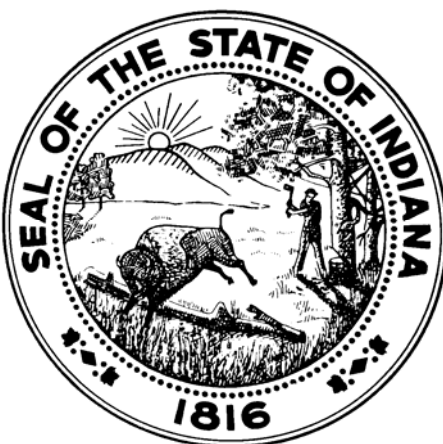
REVIEW REPORT

OF

STATE BUDGET AGENCY

STATE OF INDIANA

March 1, 2003 to December 31, 2006



FILED
05/31/2007

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Marilyn F. Schultz Charles E. Schalliol	01-08-01 to 01-09-05 01-10-05 to 06-08-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE STATE BUDGET AGENCY

We have reviewed the receipts, disbursements, and assets of the State Budget Agency for the period of March 1, 2003 to December 31, 2006. The State Budget Agency's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the State Budget Agency are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

February 20, 2007

STATE BUDGET AGENCY
REVIEW COMMENTS
DECEMBER 31, 2006

SDO FUND RECONCILIATIONS

As stated in our prior reports (B14070 and B20962), the State Budget Agency has not performed monthly reconciliations of its Special Disbursing Officer (SDO) advance. Monthly reconciliations have not been performed on a consistent basis since July 2005. Also, the State Budget Agency has not prepared monthly bank reconciliations for its SDO checking account since January 2006.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

SDO FUND

As stated in our prior report (B20962), the State Budget Agency's Special Disbursing Officer Fund (SDO) does not reconcile to the amount advanced. Currently, the fund is \$170.29 more than the amount needed to balance to the advance.

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

ATTENDANCE REPORTS

As stated in our prior report (B20962), we observed that employee attendance reports for the State Budget Agency were frequently not dated by the supervisor. We found that 15 of the 64 (25%) employee attendance reports reviewed were not dated by the supervisor.

After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

BUILD INDIANA FUND

The Build Indiana Fund was created in 1989 to deposit surplus lottery revenue. In 1995, the Lottery and Gaming Surplus Account was created within the Build Indiana Fund. Revenues from the Hoosier Lottery, riverboat gaming wagering tax, horse racing pari-mutuel wagering tax, and charity gaming taxes and license fees are deposited into the Lottery and Gaming Surplus Account. The excess funds, after the transfer to the general fund motor vehicle excise replacement account, are to be used for special projects within communities in Indiana.

In May 2002, the State Board of Finance acted to transfer \$247.5 million in the Build Indiana Fund to the General Fund. However, the corresponding appropriations in the Build Indiana Fund were not reduced, creating a negative balance in the Lottery and Gaming Surplus account. As of December 31, 2006, the negative balance in the Lottery and Gaming Surplus account was \$247,561,863.47.

We recommended that the Budget Agency consider reverting unallotted Build Indiana Fund construction funds to eliminate the negative balance in the Lottery and Gaming Surplus account.

STATE BUDGET AGENCY
EXIT CONFERENCE

The contents of this report were discussed on March 15, 2007, with Charles E. Schalliol, Director; and mailed on March 15, 2007, to Marilyn F. Schultz, former Director.